



# MARKET SUPPLY



# SUPPLY

- If a firm supplies a good or service, then the firm
  1. Has the resources and the technology to produce it,
  2. Can profit from producing it, and
  3. Has made a definite plan to produce and sell it.
  
- The **quantity supplied** of a good or service is
- **the amount** that producers plan to sell
  - during a given time period
  - at a particular price.



# SUPPLY

- The Law of Supply

- Other things remaining the same, **the higher the price of a good, the greater is the quantity supplied.**

- The law of supply results from the general tendency for the marginal cost to increase as the quantity produced increases.

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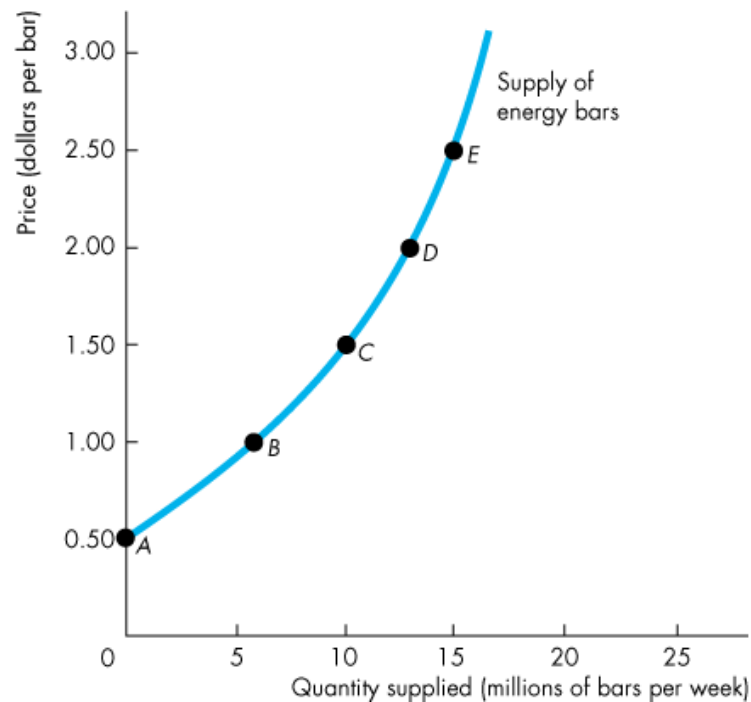


# SUPPLY

- The Law of Supply

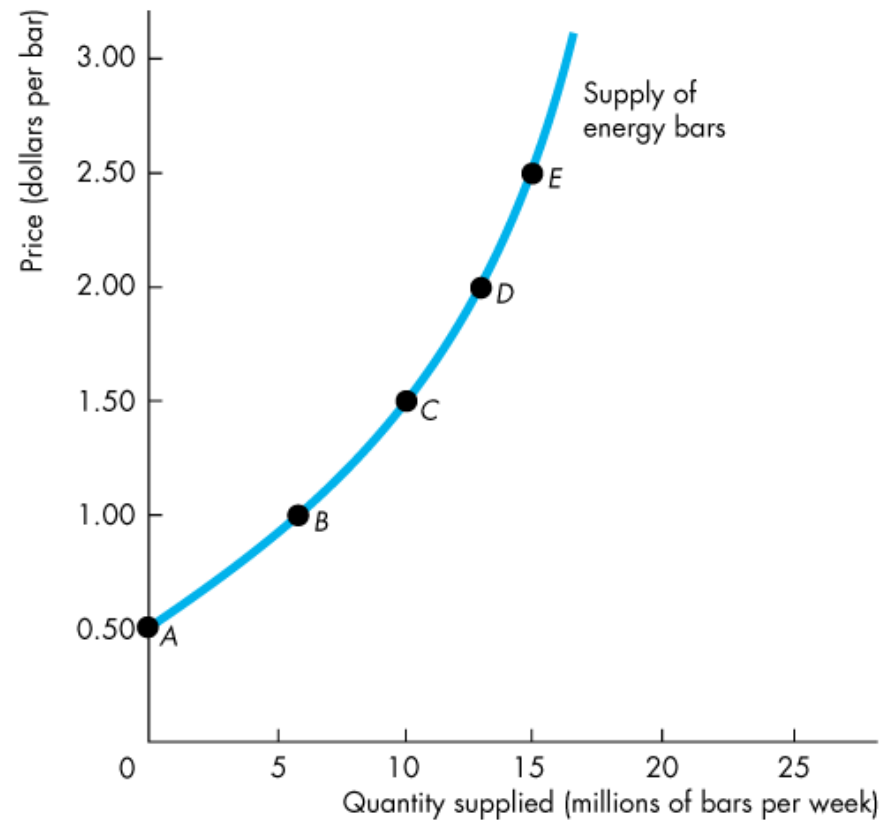
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# SUPPLY

- **Minimum Supply Price**
- A supply curve is also a *minimum-supply-price* curve.
- **The lowest price at which someone is willing to sell at.**



# SUPPLY

- A Change in Supply

- When factors that influence selling plans other than the price of the good changes, there is a **change in supply** of that good.

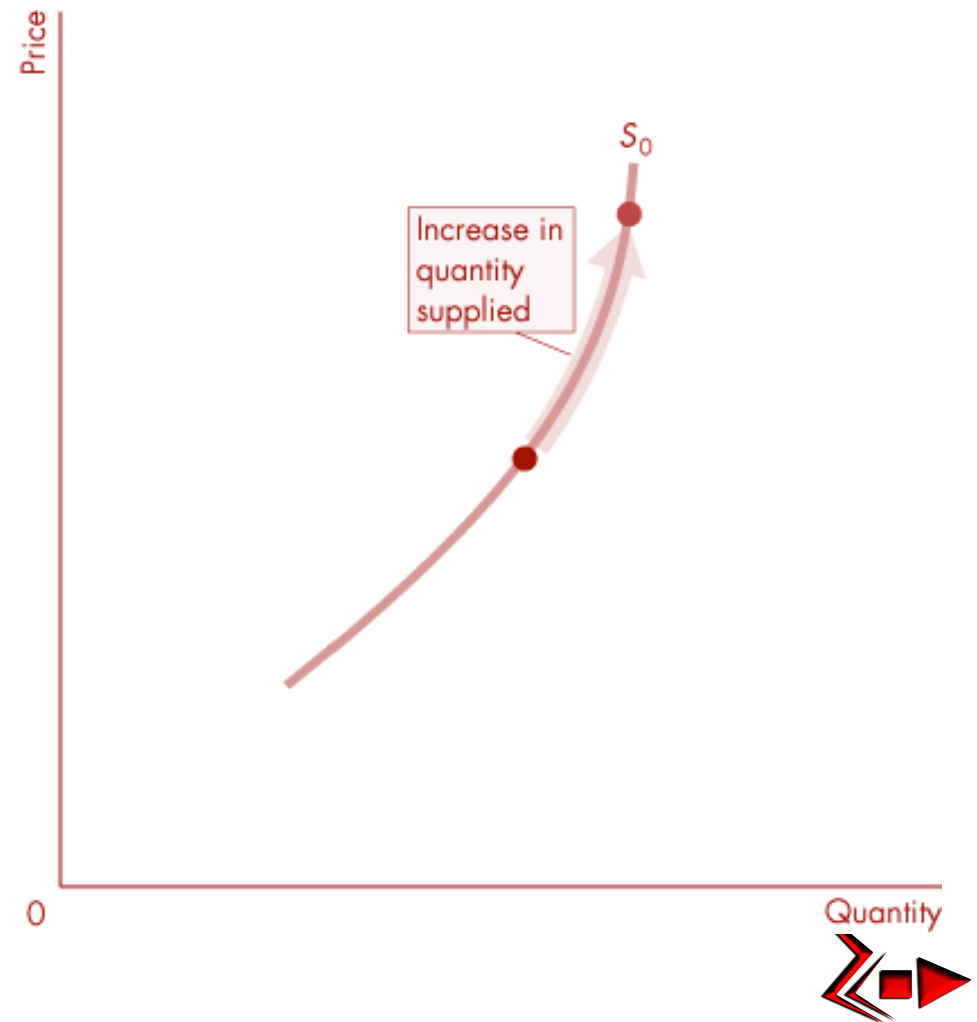
- The five main factors that change supply of a good are

- The prices of factors of production
  - The prices of related goods produced
  - Expected future prices
  - The number of suppliers
  - Technology
  - State of nature



# SUPPLY

- **A Movement Along the Supply Curve**- when only the price of the good changes.
  - If the price of a good increases
    - the quantity supplied increases &
    - this is shown by an upward movement along the supply curve.
      - *while other influences on sellers' plans remain the same,*

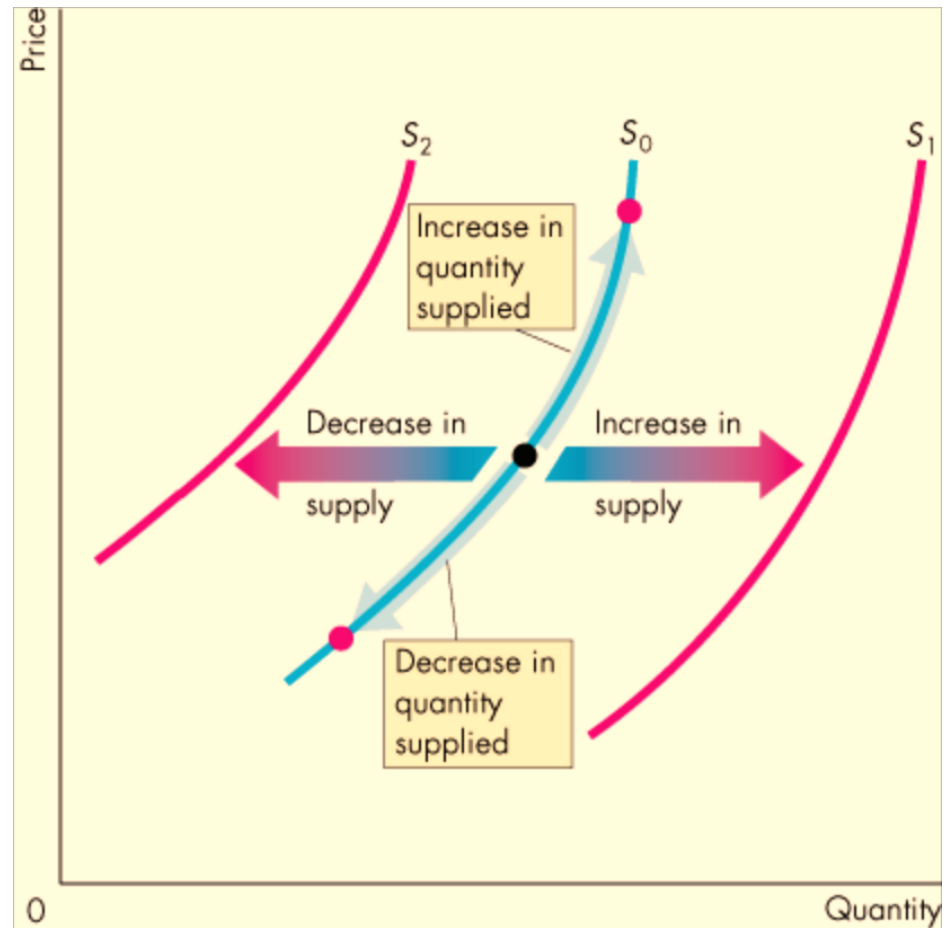


# SUPPLY

- **A Shift of the Supply Curve**

- If the price remains the same but some other influence on sellers' plans changes,

- supply changes and
- the supply curve shifts.





# SUPPLY

- **Prices of Factors of Production**

- If the price of a factor of production rises - the cost rises
- Thus, the minimum price that a supplier is willing to accept for producing each quantity of that good also rises.
- So a rise in the price of a factor of production \_\_\_\_\_ supply and shifts the supply curve \_\_\_\_\_.



## Supply-Prices of Related Goods Produced

- **‘*Substitute in production*’** for a good is another good that can be produced **using the same resources**.
- The supply of a good increases
- ----- if the price of a ‘substitute in production’ falls.



## Supply-Prices of Related Goods Produced

- **‘Substitute in production’** for a good is another good that can be produced **using the same resources**.
- The supply of a good increases
- ----- if the price of a ‘substitute in production’ falls.

Leather

- Bags
- Shoes
- Belts



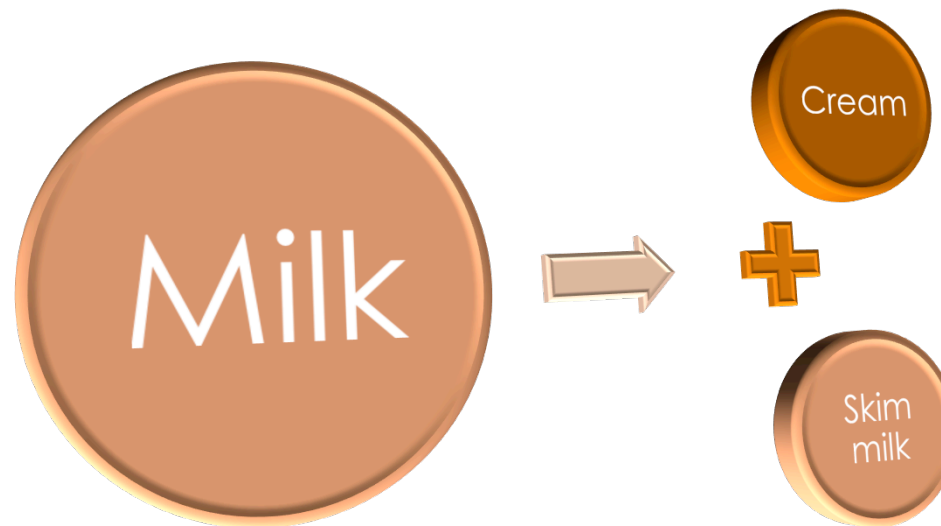
## Supply-Prices of Related Goods Produced

- **‘Complements in production’** for a good is another good that is produced together.
- The supply of a good increases
- ----- if the price of a ‘complement in production’ rises.
- 



## Supply-Prices of Related Goods Produced

- **‘Complements in production’** for a good is another good that is **produced together**.
- The supply of a good increases
- ----- if the price of a ‘complement in production’ rises.
- 



# SUPPLY

- **Expected Future Prices**

- If the price of a good is expected to rise in the future, supply of the good today decreases and the supply curve shifts leftward.

- **The Number of Suppliers**

- The larger the number of suppliers of a good, the greater is the supply of the good. An increase in the number of suppliers shifts the supply curve rightward.





# SUPPLY

- **Technology**

- Advances in technology create new products and lower the cost of producing existing products, so advances in technology increase supply

- **The State of Nature**

- The state of nature includes all the natural forces that influence production—for example, the weather.



# HOW DOES SUPPLY CHANGE?

## •Technology

- Advances in technology
  - lowers the cost of producing existing products,
    - so advances in technology
  - increases supply and
  - shifts the supply curve rightward.

